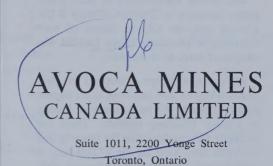


FIRST ANNUAL REPORT

AVOCA MINES

CANADA LIMITED





Report to Shareholders

October 21, 1969

To the Shareholders:

The public underwriting of your Company's securities by Cochran, Murray & Co. Limited and the sale of shares of your Company to Discovery Mines Limited was completed early in September.

We can now report satisfactory progress and build-up of staff and crew at the copper mining property 40 miles south of Dublin in County Wicklow, Ireland. There are currently 135 employees on the property and contracts have been let for 27,000 feet of underground development and stope preparation which is scheduled to start in early November upon receipt of necessary mine equipment. Rehabilitation work is progressing satisfactorily in the 4,000 ton per day mill and on the surface plant and underground equipment, including the extensive conveyor system to transport ore from the underground crusher to the mill.

Mr. R. J. Kilgour, the resident General Manager, reports that preliminary negotiations with the major Irish Trade Union have been concluded to the satisfaction of both parties and work is now progressing rapidly towards a target date for production by the end of next year at an initial rate of 2,000 tons per day. The mine will then work up to at least 3,000 tons per day as soon as possible thereafter.

Renovation of the office block and the 14 mine staff houses is well advanced and work has started on the four mile tailings line and the bridges which carry this line across the Avoca River.

Orders have been placed for most of the mine equipment required including drill jumbos, Alimak raise equipment and load haul dump units to allow maximum mechanization of underground mining at Avoca. Present planning is to mine the larger South Lode by blast hole stoping and the Pond Lode by mechanized cut-and-fill stoping.

A contract has now been signed with Nitrigin Eireann, the Irish fertilizer manufacturer, for the sale to them of 80,000 tons of by-product pyrites per annum beginning in mid-1971 and preliminary arrangements have been completed for the sale of the copper concentrates at LME quotations.

Besides being of benefit to Avoca as an additional source of revenue, the contract with Nitrigin Eireann also benefits the Irish economy since it will utilize a local resource and save foreign exchange now being spent on the importation of sulphur.

Application for listing on the Toronto Stock Exchange has been approved and it is expected that the shares of your Company will be posted for trading early in November.

J. C. BYRNE, Chairman of the Board. J. K. B. BOOTH, President.

Toronto, Ontario, October 21, 1969.

OFFICERS	J. C. Byrne Chairman of the Board
	J. K. B. BOOTH President
	D. S. HAMILTON Secretary-Treasurer
August 1990	Donotta y 1, casar or
DIRECTORS	L. A. Bednarz Toronto, Ontario
	J. K. B. Воотн Тогопто, Ontario
	J. C. Byrne Toronto, Ontario
The second second	F. A. Fell, Q.C Toronto, Ontario
	H. B. Hicks Vancouver, B.C.
and the second	D. O. MUNGOVAN, Q.C Toronto, Ontario
	S. P. OGRYZLO Toronto, Ontario
	W. G. ROBINSON Vancouver, B.C.
AUDITORS	Collins, Love, Eddis,
	VALIQUETTE & BARROW 110 Yonge Street Toronto, Ontario
	Tolonto, Ontario
BANKERS	Royal Bank of Canada 360 Bay Street
DIEI VIELE	Toronto, Ontario
	CHASE AND BANK OF IRELAND
1000	(INTERNATIONAL), LTD Dublin 2, Ireland
SOLICITORS	CAMPBELL, GODFREY & LEWTAS Toronto Dominion Centre
	Toronto, Ontario
	WHITNEY, MOORE & KELLER Dublin, Ireland
TRANSFER AGENTS	CROWN TRUST COMPANY 302 Bay Street
AND REGISTRARS	Toronto, Ontario
HEAD OFFICE	Suite 1011, 2200 Yonge Street
	Toronto 12, Ontario
ANNUAL MEETING	June 29, 1970, 11:15 a.m., Metropolitan Room,
ANNUAL MEETING	Main Floor, Royal York Hotel, Toronto
7	Total

AVOCA MINES LIMITED

OFFICERS	J. C. Byrne Chairman of the Board	
10.00	R. F. STEDMAN Secretary	
DIRECTORS	J. C. Byrne Toronto, Canada	
	J. K. B. Booth Toronto, Canada	
	W. R. A. KELLER Skankill, Ireland	
	R. J. KILGOUR Avoca Mines, Ireland	
	M. V. O'Brien Dublin, Ireland	
MANAGEMENT	J. C. Byrne Managing Director	
	R. J. KILGOUR General Manager	
MINE STAFF	D. R. CROMBIE Mine Superintendent	
	C. S. Power Metallurgical Superintendent	
	D. P. SPONTON Electrical-Mechanical Superintendent	
	B. McKeon Chief Engineer	
	J. W. Platt Chief Geologist	
	R. F. STEDMAN Mine Accountant	
	J. A. CASWELL Purchasing Agent	
	T. Shaw Personnel Officer	
CONSULTING	F. B. Brien Seattle, Washington	
METALLURGIST		
CONSULTING	WRIGHT ENGINEERS LIMITED Vancouver, B.C.	
ENGINEERS		
SOLICITORS	WHITNEY, MOORE & KELLER 46 Kildare Street	
	Dublin 2, Ireland	
AUDITORS	Griffin, Lynch & Co 26 Lower Bagot Street	
	Dublin 2, Ireland	
The state of the s		
BANKERS	THE BANK OF IRELAND Arklow, County Wicklow, Ireland	
	Chase and Bank of Ireland	
	(International), Ltd 10 College Green	
	Dublin 2, Ireland	
MINE OFFICE	AVOCA, COUNTY WICKLOW Ireland	

Directors' Report

TO THE SHAREHOLDERS:

Your Directors are pleased to present the first Annual Report of Avoca Mines Canada Limited, which was incorporated as an Ontario company in March, 1969. The audited financial statements have been consolidated with those of the wholly owned subsidiary — Avoca Mines Limited (Avoca Ireland).

Important developments of the past year included the raising of finances to develop to production the copper-pyrites property of Avoca Ireland, commencement of the preproduction program, and the listing in November of the common shares of Avoca Canada on the Toronto Stock Exchange.

Full scale operations at the former producing property are expected to be attained early in 1971. Although the original milling plant had been designed to process 4,000 tons daily, Avoca will initiate production at the rate of 2,000 tons per day, and this will increase to 3,000 tons daily within two years from startup.

Indicated ore reserves as defined by detailed underground diamond drilling are in the order of 7.0 million tons, averaging 1.0 per cent copper after allowance for dilution. This tonnage is in two orebodies referred to as the Pond Lode and the South Lode, and is entirely outside the area of the old workings. Potential for additional ore is excellent and there are several known sulphide deposits occurring along a strike length of two miles. There is a possibility that some surface ore may be mined in the early stages of the operation.

The Avoca mine was last in production from 1958 through 1962. Closure was prompted by excessive dilution from mining the old workings and depressed copper prices. The advent of financial difficulties saw the property placed in receivership by the Irish Government who subsequently placed the property on a care and maintenance basis and kept the main mine dewatered. A government sponsored economic study recommended that further exploration be undertaken, and, as a consequence, proposals to advance this work were invited from interested resource companies. In 1966, a proposal was accepted from a group of companies to which an option to acquire the mining lease and surface installations was granted, in return for a commitment to carry out adequate underground exploration. During a two-year period to March 1969, approximately \$1,000,000 was expended on a program of

exploration, metallurgical tests, and profitability studies. This program proved up sufficient ore to support a medium sized mining operation.

Early in 1969, Discovery Mines Limited expressed interest in operating the Avoca venture, as its Northwest Territories gold mine was then closing due to exhaustion of ore. Agreements were concluded between the consortium and Discovery, which called for the latter to raise the necessary additional preproduction finances, and to manage the proposed operation in return for a major interest in Avoca Ireland. The consortium, consisting of the Superior Oil Group, the Patino Mining interests, and associated companies of Northgate Explorations, exercised the government option on March 16, 1969, thus paving the way for production planning. As a necessary step in this direction, Avoca Mines Canada Limited was incorporated in March, and purchased all of the outstanding shares of Avoca Ireland. The vendors collectively exchanged their shares in Avoca Ireland for 1.5 million shares of the new Canadian company.

Shares of Avoca Mines Canada were posted for trading on the Toronto Stock Exchange on November 7, 1969. The listing was preceded by an underwriting of shares and debentures to place \$1,750,000 in the Avoca treasury. The investment firm of Cochran, Murray & Co., Limited underwrote \$1,000,000 8½ per cent Unsecured Income Debentures and 1,000,000 common shares in units comprising \$500 debenture and 500 shares. To augment the proceeds from this public distribution, \$1,500,000 was provided by Discovery Mines, in return for 2,249,942 shares of Avoca Mines Canada. A subsequent private sale of 50,000 shares reduced Discovery's holdings of Avoca to 2,199,942 shares, representing an approximate 46% interest. Discovery has agreed to purchase for \$750,000 cash, 7 per cent Subordinated Unsecured Debentures in the principal amount of \$750,000, which carries a bonus of 250,050 shares. Vendors of Avoca Ireland had the right to participate to a limited extent in the purchase of the Unsecured Debentures and bonus stock. Balance of the required finances to attain production status will accrue from bank loans.

Capital costs for mine development and plant rehabilitation, together with working capital requirements, had originally been estimated at \$4.5 million. Provision has been made for bank borrowings of up to \$2 million for additional plant facilities not provided for in the original estimates, for additional working capital, and for an anticipated cost overrun due primarily to additional substantial mill modifications. Excluded from the projected capital expenditures is £675,000 (\$1,735,000 Canadian) being the cost to Avoca Ireland of the concentrator and ancillary plant facilities; repayment to the Irish government will be at the rate of 15 per cent of annual net profits.

Both copper and pyrite concentrates will be produced by Avoca. The pyrite is to be sold under contract to a local fertilizer manufacturer — Nitrigin Eireann Teoranta — who will process the concentrates for the production of sulphuric acid. Copper output will be shipped to European smelters.

Trackless mining is being adopted at Avoca in order to attain a high degree of flexibility and efficiency. Both the South Lode and Pond Lode orebodies will be mined simultaneously; the former lends itself ideally to blasthole stoping, while the mechanized cut-and-fill method will be employed for ore extraction in the Pond Lode. Broken ore will be transported by a belt conveyor system from the underground crusher to the milling plant. Ore can also be conveyed to surface by trucks, using the access tunnel to the lower mine levels. Although the conveyor system was completed by the former

operators only a short time before shut-down, it has been found necessary to initiate a number of modifications and improvements to ensure satisfactory performance. The underground development program being carried out by a European contractor involves some 27,000 feet of development advance.

The Avoca mine operation will be exempt from corporate income tax for a period of twenty years from commencement of production. All dividends received by Avoca Canada from its Irish subsidiary will also be tax exempt. Royalties are payable annually to the Irish Government at a rate of from four to nine per cent of profit after depreciation and deduction of mill payment.

The Directors wish to record their appreciation for the diligent and conscientious efforts rendered by the mine staff and employees of the organization.

On behalf of the Board of Directors:

J. C. BYRNE, Chairman of the Board.

J. K. B. BOOTH,
President.

Toronto, Canada, April 27, 1970.

AVOCA MINES

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Consolidated Balance S

ASSETS

Current Assets	
Cash	\$ 147,604
Short term notes and certificates, at cost	1,800,000
Accounts receivable	94,981
	2,042,585
Mining Property, at Cost (note 2)	
Land and mine buildings	269,548
Construction in process	232,786
Machinery and equipment	1,548,621
Deferred development, including administrative and financing	1,822,214
	3,873,169
Other Assets	
Mine stores (note 3)	165,298
Incorporation and organization	1,700
Deferred finance charges (note 4)	193,500
	360,498

\$6,276,252

NADA LIMITED

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t – December 31, 1969

LIABILITIES

LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	\$ 367,262
Long Term Debt	
8½% unsecured income debentures, due December 31, 1975 (note 5)	1,000,000
Due to The Receiver for St. Patrick's Copper Mines Limited (note 6)	
	2,741,500
SHAREHOLDERS' EQUITY	
Capital Stock	
Authorized	
5,000,000 shares of \$0.50 par value each	
Issued	
4,749,950 shares (note 7)	
Contributed surplus (note 8)	
	3,167,490
Approved on behalf of the Board:	
J. C. BYRNE, Director.	
J. K. B. BOOTH, Director.	
	\$6,276,252

part of these financial statements.

and Its Subsidiary

Notes to the Consolidated Financial Statements - December 31, 1969

1. Principles of Consolidation

Included in the financial statements are the accounts of the wholly-owned subsidiary, Avoca Mines Limited. Rate of conversion used in consolidation was \$2.58 to £1 sterling.

2. Mining Property

- Land, buildings, machinery and equipment are shown at the valuations placed thereon under an Option Agreement dated September 16, 1966, plus cost of additions subsequent to acquisition of control of the subsidiary.
- As the subsidiary is in the development stage, no depreciation of fixed assets has been provided in the accounts.
- Construction in process has been recorded at cost of materials and direct labour with a small charge for supervision. No portion of the overhead has been capitalized in this account.
- Deferred development expenditures include the cost of a State Mining Lease (\$51,600) which will expire in October, 1977.

3. Mine Stores

- Mine stores include stores acquired from the Receiver for St. Patrick's Copper Mines Limited at an estimated value of \$51,600. The remainder of the stores has been included at cost. A physical inventory of stores was not taken at the end of the fiscal period. Valuation of the stores was based on the financial records.
- 4. Deferred Finance Charges \$193,500 represents interest on the balance due to the Receiver for St. Patrick's Copper Mines Limited, the vendor of the mine property and assets. The payment for these assets is to be by way of 15% of the profits from operations, and when payments are made these finance charges will be taken into account.

5. 81/2 % Unsecured Income Debentures

During the fiscal period, the company issued \$1,000,000 of principal amount of these debentures. Debentures may be redeemed at any time commencing in May of 1972, pursuant to the terms of the Trust Indenture between this company and the Trustee, Canada Permanent Trust Company, dated August 15, 1969.

6. Due to The Receiver for St. Patrick's Copper Mines Limited

This sum, including deferred finance charges (note 4), is owing for the purchase of mine properties, machinery and equipment. Payment of this balance is to be made at the rate of 15% of the profits from mining operations.

7. Capital Stock

During the fiscal period, capital stock was issued as follows:

3,249,950 shares for cash	\$1,624,975
1,500,000 shares for mine property and assets, at valuation place thereon	
by the Board of Directors	750,000
4,749,950	\$2,374,975

8. Contributed Surplus

During the period, contributed surplus arose from the issuing of capital stock at a	premium, as follows:
On shares issued for cash	\$ 625,025
On shares issued for mine property and assets, at valuation placed thereon by	
the Board of Directors	167,490
	\$ 792,515

9. Events Subsequent to December 31, 1969

The company has entered into an agreement with A. B. Skanska Cementgjuteriet of Sweden for approximately 27,000 feet of development work on the company's mining property. It is expected that the bulk of this development work will be carried out in 1970. Under the terms of this agreement, the company will post a guarantee bond of approximately \$325,000, expiring November 1, 1971.

10. Remuneration of Directors and Senior Officers

The aggregate direct remuneration paid to directors and senior officers by the company and its subsidiary in 1969 was \$18,481.

Auditors' Report

To the Shareholders, Avoca Mines Canada Limited.

We have examined the consolidated balance sheet of Avoca Mines Canada Limited and its subsidiary as at December 31, 1969 and the consolidated statements of deferred development expenditures including administrative and financing expenses and source and application of funds for the period from inception, March 12, 1969 to December 31, 1969. For Avoca Mines Canada Limited, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For the subsidiary, of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to accept for purposes of consolidation the report of the other auditors.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the period then ended, in accordance with generally accepted accounting principles.

Toronto, Canada, April 25, 1970.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW,

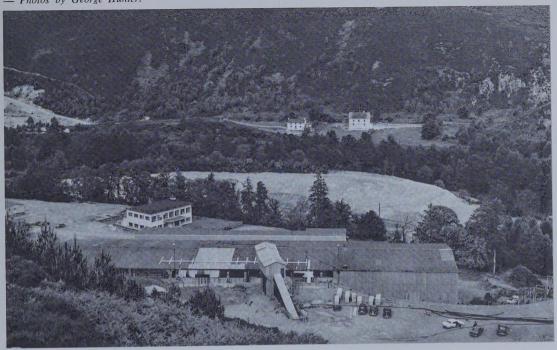
Chartered Accountants.

and Its Subsidiary

Consolidated Statement of Deferred Development Expenditures Including Administrative and Financing

For the Period from Inception, March 12, 1969 to December 31, 1969

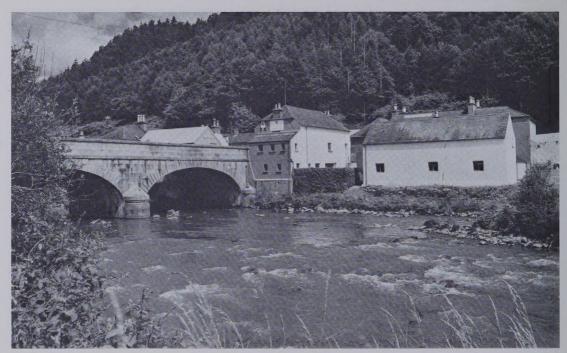
Balance, beginning of the period	\$ 866,049
Expenditures during the Period	
Mine development	870,952
Administrative and financing expenses	145,996
	1,016,948
Less: Interest and sundry income	60,783
	956,165
Balance, end of the period	\$1,822,214
Balance, end of the period	φ1,022,21 4
Consolidated Statement of Source and Application of Funds	
For the Period from Inception, March 12, 1969 to December 31, 1969	
* ' '	
Source of Funds	
Current operations	
Interest and sundry income\	\$ 60,783
Sale of capital stock	
Sale of debentures	1,000,000
	3,310,783
Application of Funds	
Purchase of mine property, buildings and equipment, including deferred expenditures	
thereon	503,114 1,016,948
Deferred development, including administrative and financing	
Purchase of mine stores	113,698
Incorporation and organization	1,700
	1,635,460
Working capital, end of the period	\$1,675,323



Avoca Mines: Office and mill buildings in foreground.



Staff residences of Avoca Mines.



Avoca River — Avoca, County Wicklow.



Street scene - Avoca, Ireland.

